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*Army and State Department review(s) completed.

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FAR EAST

1. South Korean defense minister being promoted as successor to Rhee:

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[Redacted] Plans are in operation to promote the selection of South Korean minister of defense Sohn Won-il as President Rhee's running mate in the 1956 election, according to Army Chief of Staff Chong Il-kwon. The plans, which were developed by Sohn, Chong, and Yi Ki-pung, head of Rhee's Liberal Party, have been presented to Rhee, whose reaction was 'not unfavorable.'

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Comment: Rhee's age and physical condition make it likely that the vice president elected in 1956 for the next four years will be called on to serve out Rhee's term. Rhee's past behavior suggests that he may choose someone like the aged incumbent, Ham Tae-yong, who would not be in a position to challenge his authority.

Army Chief of Staff Chong has strong presidential aspirations, and Yi Ki-pung is probably the leading political contender. They may have decided to support Sohn, who has been out of favor with Rhee for several months, in order to avoid too open a bid for power at this stage.

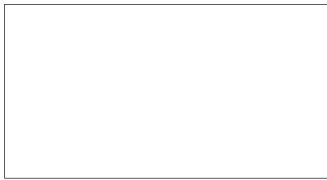
Sohn, now in Washington for aid discussions, has been generally co-operative with American officials. He is an able administrator, but has little personal political following.

SOUTHEAST ASIA

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3. British concerned over impact of Malayan Communists' peace proposal:



The British authorities in Malaya are publicly treating the Communists' recent offer to negotiate a settlement of the seven-year-old terrorist campaign as a sign of weakness, but privately

they are dismayed by it. The British consider the proposal, which would appeal to a large number of Malayans, admirably timed to promote the Communists' objective of dividing the country before its first elections, on 27 July, and recognize that their rebuff of the bid can be used by the Communists to promote anti-British sentiment.

Comment: The Communists' proposal was contained in a letter sent to several Malayan organizations from the outlawed Malayan Communist Party's headquarters in

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southern Thailand. It asked for an end to the war and the emergency regulations, to be followed by a round-table conference of all parties and general elections in a "democratic peaceful atmosphere."

The British secured consent for their rejection of the offer from a representative of the Alliance, a combined Malay-Chinese party which is the Malaya Federation's largest and is expected to win the July elections. Since then, leaders of the Alliance--apparently sensing popular reaction--have announced that they would be willing to work out peace terms with the Communists.

NEAR EAST - AFRICA

4. Syrian army officers plan action against anti-Western elements:

180 Syrian army officers plan in about a week to give Prime Minister Asali an ultimatum to remove Foreign Minister

Azm and certain other ministers from the cabinet. The officers, ranging in rank from captain through brigadier general, also plan to demand the dismissal of Chief of Staff Shawkat Shuqayr. Should Asali refuse, they would assume temporary control of the country.

The group is said to oppose the projected pact with Egypt and Saudi Arabia, and to wish to strip the leftist Arab Socialist-Resurrectionist Party of its power in favor of closer relations with the West and Iraq. Ambassador Moose believes that these plans may be the cause of recent indications that the chief of staff is considering withdrawing his support from Foreign Minister Azm.

Comment: A coup of this kind, if attempted, would appear to have a fair chance of success. Azm, the real leader of the cabinet, has been out of the country since 12 June, and there are indications that the Arab Socialist faction in the army has not recovered from the assassination of its leader last April. These factors, together with the apparent

defection of the opportunistic chief of staff and the decreasing warmth in Cairo's attitude, toward the Asali cabinet, leave it in a seriously weakened position.

While such a coup would orient Syria more toward the West, there is little prospect that the country's internal stability would be much enhanced.

EASTERN EUROPE

5. Anti-American trial in Hungary appears imminent:



The American legation in Budapest is convinced that a "show trial" of a Hungarian employee of the Associated Press in Budapest is imminent, and that it will involve the legation. Recently arrested local employees of the legation will provide the "supporting cast" for such an action. The legation reports that the last regular Hungarian employee of the USIS news bulletin section was arrested on 23 June.

Comment: A trial implicating the legation, while obviously designed to warn the Hungarian people of the dangers of contacting American representatives, would be aimed primarily at justifying the retention of Soviet troops in Hungary because of the danger of American interference in internal affairs.

In late May the legation reported that there had been a sharp increase in the general use of terror and intimidation tactics by the Hungarian security police, particularly against those local citizens who visited the legation to receive news bulletins. Both the terror tactics and an intense anti-American campaign which has been in effect for several months are also probably considered necessary by the regime to strengthen its internal control in the face of widespread popular and party disaffection.

WESTERN EUROPE

6. Embassy Paris sees Morocco as only issue likely to overthrow Faure:

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The American embassy in Paris believes that Morocco is the only issue which might cause Premier Faure's downfall before the French assembly recesses on 15 August. The embassy points out, however, that Faure is unlikely to present any Moroccan program this summer that would cause the overthrow of his government. A slight additional delay in instituting reforms in Morocco could be justified on the grounds that Resident General Grandval will be new at the post when he takes over in about two weeks.

Comment: The situation in Morocco may deteriorate to such an extent as to force Faure to take stronger steps than he now intends, thus precipitating an attack on him from Socialist and other left-of-center forces in the assembly. Failure by Faure to gain command of the Algerian situation might also provoke sharp parliamentary criticism.

LATIN AMERICA

7. Peron apparently accepting army's demands:

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The military junta was dissolved on 22 June following President Peron's agreement to demands resulting from army-navy negotiations.

Army officials agreed to allow Peron time to proceed alone in fulfilling these demands but do not trust him fully and continue in control of the state of siege.

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The reported demands require Peron to:
 (1) obtain the resignations of all cabinet ministers; (2) prosecute

legally all criminals; (3) see that no punishment is meted out to navy men; (4) purge the General Confederation of Labor; (5) drop the church-state issue; and (6) provide the navy with more ammunition and petroleum. [redacted] the resignation of all cabinet ministers on 22 June indicates that Peron is responding to army pressure.

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Former foreign minister Remorino denied to Ambassador Nufer on 23 June that the army had demanded cabinet changes and said that any impending changes would reflect merely an intracabinet struggle. He added that Minister of the Army Lucero's influence over Peron was no greater than his and that rumors of a military junta were unfounded. Nufer comments that this is obviously an underestimate of the army's influence.

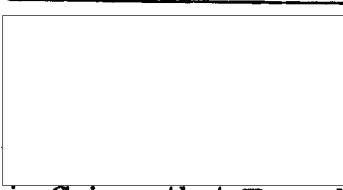
Comment: Remorino's remarks reflect the same line stressed in government communiqüs designed to convince the public that the situation has returned to normal and that the army has returned to its regular duties.

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[redacted] the military is trying to conceal its power over Peron in order to avoid protests from pro-Peron civilian and/or military elements.

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8. France ahead of schedule in withdrawing troops from Indochina:



General Guillaume, who has just completed a four-day inspection tour of the French military establishment in Vietnam, told Ambassador Reinhardt in Saigon that French forces in Indochina have been reduced to 55,000 men. He also stated the sentiment of many French officials in favor of complete and immediate evacuation of all French troops from Indochina was being strengthened by France's requirements in North Africa. The cost of maintaining the French Expeditionary Corps would also be an important factor in determining the government's final decision.

Ambassador Reinhardt points out that the general gave him the impression that he was inclined to recommend that about 50,000 men be retained for the next 18 months.

Comment: The French have been threatening for some time to withdraw their expeditionary force. This is the first indication, however, that their strength is below the 75,000 men the French government had planned to maintain in Indochina until 1 July.